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UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

Q-PHARMA, INCORPORATED,

Plaintiff,

v.

THE ANDREW JERGENS  
CORPORATION, INCORPORATED,

Defendant.

No. C01-1312P

ORDER DENYING  
ATTORNEYS' FEES UNDER 35  
U.S.C. § 285 AND GRANTING  
SUMMARY JUDGMENT ON  
ANTITRUST IMMUNITY

Plaintiff Q-Pharma, Inc. ("Q-Pharma") originally filed this lawsuit to enforce its patent related to therapeutic application of "Coenzyme Q10" to skin. Defendant The Andrew Jergens Corporation, Inc. ("Jergens") filed a counterclaim alleging attempted monopolization in violation of antitrust laws. The present motions address two issues: whether a less-than-ideal yet adequate pre-filing investigation can justify an award of attorneys' fees under the patent statute, and whether and under what circumstances an attempt to enforce a patent is immune from antitrust liability.

This matter comes before the Court on defendant's motion for attorneys' fees pursuant to 35 U.S.C. § 285, (Dkt. No. 87), and plaintiff's motion for summary judgment on antitrust immunity. (Dkt. No. 106). Having considered all materials filed by the parties, and having reviewed the record as a whole, the Court DENIES defendant's motion for attorneys' fees because it finds that this is not an "exceptional case," as this litigation was not vexatious, unjustified, frivolous, or undertaken in bad faith on the part of the plaintiff. Likewise, the

ORDER DENYING ATTORNEYS' FEES  
AND GRANTING SUMMARY JUDGMENT- 1

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1 Court GRANTS plaintiff's motion for summary judgment on antitrust immunity because it  
 2 finds that the filing and maintenance of the suit was not "objectively baseless," and did not  
 3 constitute "sham" litigation. Finally, defendant's pending motion for reconsideration, (Dkt.  
 4 No. 115), of this Court's prior discovery order is DENIED.

### 5 BACKGROUND

6 A detailed account of the factual and procedural background of the case is set forth  
 7 below in order to provide an understanding of how the present motions came before the  
 8 Court.

9 Plaintiff Q-Pharma holds U.S. Patent No. 4,654,373 ("the '373 patent). The claims in  
 10 the '373 patent read as follows:

- 11 1. A method of therapeutically treating impaired or damaged tissue in  
 12 humans and animals which comprises topically administering to such  
 13 tissue a composition comprising **as the principal active ingredient a  
 therapeutically effective** amount of Coenzyme Q-10 . . . in admixture  
 with a pharmaceutically acceptable carrier.
- 14 2. A method according to claim 1 in which the amount of Coenzyme Q-10  
 15 in said composition is .1%-10% by weight.
- 16 3. A method according to claim 1 in which the amount of Coenzyme Q-10  
 in said composition is .0001-.1% by weight.
- 17 4. A method according to claim 1 in which the pharmaceutically acceptable  
 18 carrier is olive, peanut or soybean oil.
- 19 5. A method according to claim 1 in which the composition is in the form  
 of a paste, cream, ointment, gel, lotion or unguent.

20 '373 patent (emphasis added).

21 After Q-Pharma obtained the '373 patent, defendant Jergens began marketing "Curel  
 22 Age-Defying Therapeutic Moisturizing Lotion with Coenzyme Q-10." The labeling of this  
 23 product clearly suggests that Coenzyme Q-10 is an active ingredient. For example, the label  
 24 of the product reads in part as follows:

1       Curel Age Defying Therapeutic Lotion with Coenzyme Q10, combines the  
2       superior moisturizing formula of Dermatologist recommended dry skin lotion  
3       with Coenzyme Q-10. Coenzyme Q10 is a naturally occurring anti-oxidant  
4       found in the skin that helps defend against the visible signs of aging. Q10  
5       levels in the skin begin to diminish with age. Curel Age Defying with Q10  
6       helps to restore skin's natural elasticity revealing visibly healthier, younger  
7       looking skin. Curel Age Defying Therapeutic Lotion with Coenzyme Q10 is  
8       clinically proven to work three ways to visibly improve the look and feel of  
9       skin.

10       Maksimoski Decl. in Supp. of Jergens' Mot. for Summ. J. of Non-Infringement, Ex. B.  
11       Although Q-Pharma's attorneys conducted a careful claims construction analysis before  
12       filing suit, it is undisputed that no testing of the product was done in order to ascertain the  
13       products' ingredients.

14       In response to Q-Pharma's litigation, Jergens brought four counterclaims. Three of  
15       these claims were for declaratory judgment on the patent, and one was a claim for damages  
16       for alleged antitrust violations.

17       During the course of discovery, Q-Pharma repeatedly demanded information from  
18       Jergens regarding the contents of the Curel product. Mar Decl. in Supp. of Pl.'s Mot. to  
19       Compel, Exs. B, D-G. Ultimately, Q-Pharma brought a motion to compel. Rather than  
20       respond to the motion, Jergens moved for summary judgment of non-infringement. In  
21       support of its motion, Jergens disclosed, for the first time, that despite the logical  
22       implications of its advertising, its product contained a minuscule amount of Coenzyme Q-10  
23       (no more than .00005% by weight). Maksimoski Decl. at 3.

24       In light of that newly-disclosed information, Q-Pharma elected to abandon its suit. It  
25       moved for voluntary dismissal with prejudice, and also filed two separate documents wherein  
26       it promised not to sue in the future for the production or consumption of the Curel product.  
27       Finding that the Court had been divested of Article III jurisdiction over the declaratory  
28       judgment actions, the Court then dismissed all but the antitrust counterclaim.

1 After dismissal of the complaint and of the majority of the counterclaims, Jergens  
2 served its Rule 11 motion on plaintiff, insisting that the Reply to the counterclaims be  
3 amended. With the exception of that portion of the Reply which addressed the antitrust  
4 counterclaim, the Reply was for the most part by that time a moot document. After the 21-  
5 day safe harbor time had elapsed, Jergens served its motion on the Court.

6 Jergens made the following arguments: 1) Q-Pharma knew prior to bringing suit  
7 against Jergens, or reasonably should have known, that Coenzyme Q10 was not the principal  
8 active ingredient in the Curel product; and 2) Q-Pharma was aware, prior to bringing suit  
9 against Jergens, that the '373 patent was invalid. Motion for Sanctions, (Dkt. No. 69). This  
10 Court denied Jergens' motion on all grounds. Specifically, the Court found that the motion  
11 was untimely, that the claim of notice of invalidity had no merit, and that the pre-filing  
12 investigation, although not ideal, was sufficient to overcome the motion for sanctions. The  
13 Court stated that while the "plaintiff's claims were questionable, they were not wholly  
14 improbable." Id. at 6. The Court also relied on defendant's dilatory conduct during  
15 discovery, noting that Jergens itself contributed to the expense and inconvenience of the  
16 litigation by not promptly disclosing the minuscule amount of Coenzyme Q10 in its product.  
17 Id.

18 During the pendency of the Rule 11 sanctions motion, Jergens sought discovery to  
19 support its antitrust counterclaim. Jergens eventually filed a motion to compel compliance  
20 with a subpoena duces tecum seeking attorney-client privileged information related to Q-  
21 Pharma's pre-filing investigation. Jergens argued that in defending the Rule 11 sanctions  
22 motion, Q-Pharma had waived privilege to certain documents. The Court denied the motion  
23 to compel, holding that there was no implied waiver of the attorney client privilege because  
24 Q-Pharma did not make any affirmative act by responding to the Rule 11 sanctions motion  
25  
26

1 and because no privileged communications were placed at issue. The Court also noted that  
2 Rule 11 must not be used as a discovery device.

3 Also during the pendency of the Rule 11 sanctions motion, Jergens brought the  
4 present motion for attorneys' fees under Section 285 of the patent statute. 35 U.S.C. § 285.  
5 That motion asserts the same arguments for attorneys' fees under the patent statute as did the  
6 motion for Rule 11 sanctions. Specifically, Jergens argues that Q-Pharma should have  
7 known that Jergens' product did not infringe the patent, and that Q-Pharma should have  
8 known that its patent was invalid. § 285 Motion at 3, 8. Jergens asserts that this is an  
9 "exceptional case" constituting "vexatious or unjustified litigation, [or] frivolous suit," as  
10 required for an award of attorneys' fees under the statute. *Id.* at 2-3. Q-Pharma responds by  
11 arguing that Jergens has not met its burden of showing by clear and convincing evidence that  
12 Q-Pharma was acting with actual malice or was grossly negligent in filing or maintaining the  
13 lawsuit. *Opp.* at 3.

14 After the Court denied Rule 11 sanctions, Q-Pharma brought a motion for summary  
15 judgment on antitrust immunity. In that motion, Q-Pharma argues that Jergens' remaining  
16 counterclaim should be dismissed, given the Court's ruling on the Rule 11 motion, because  
17 Jergens' cannot show that the patent action constitutes "sham litigation" as required for a  
18 patent enforcement antitrust action. *Pl.'s Summ. J. Mot.* at 1-2. Specifically, Q-Pharma  
19 asserts that its suit was not "objectively baseless," the first part in a two-part test for  
20 determining "sham litigation" set forth in Professional Real Estate Investors, Inc. v.  
21 Columbia Pictures Indus., Inc., 508 U.S. 49, 60-61 (1993).

22 Instead of responding to the motion for summary judgment, Jergens filed an  
23 "opposition" that was actually an argument as to why discovery should be allowed into  
24 documents listed on Q-Pharma's privilege log. Jergens submits a Rule 56(f) declaration  
25 detailing the documents it says it needs in order to defend the summary judgment motion.

1 Jergens simultaneously filed a motion for reconsideration of the Court's September 30, 2002,  
2 order denying its motion to compel discovery of certain documents based on attorney-client  
3 privilege waiver. Jergens bases its motion on "new facts," alleging that even if privilege  
4 was not waived in defending the Rule 11 motion, it was waived when Q-Pharma brought its  
5 motion for summary judgment, and therefore discovery of the otherwise privileged  
6 documents should be compelled. Mot. for Recon. at 1-2. Q-Pharma responds by stating that  
7 the motion for summary judgment does not even reference material that Jergens says waives  
8 the privilege, but rather only cites to this Court's order denying sanctions. Q-Pharma also  
9 argues that in failing to respond to Q-Pharma's motion for summary judgment, Jergens in  
10 effect admitted that it could not meet its burden of showing that the litigation was  
11 "objectively baseless."

## 12 ANALYSIS

### 13 1. Motion for Attorneys' Fees Under 35 U.S.C. § 285

14 In its § 285 motion, Jergens argues that this is an "exceptional case" justifying an  
15 award of attorneys' fees on two grounds. First, Jergens asserts that Q-Pharma should have  
16 tested Jergens' product prior to filing suit. § 285 Mot. at 4. According to Jergens, such a test  
17 would have revealed that the presence of Coenzyme Q10 was minuscule, not a  
18 "therapeutically effective amount," and that Jergens' product was therefore non-infringing.  
19 Id. at 4-5. Second, Jergens argues, as it did in its motion for sanctions, that Q-Pharma was on  
20 notice that its patent was invalid. Id. at 8. Based on the following analysis, Jergens' motion  
21 for attorneys' fees is denied.

22 Under 35 U.S.C. § 285, a court may award attorneys' fees to a party to an  
23 infringement suit if the court finds by clear and convincing evidence that the case is  
24 "exceptional." Interspiro USA, Inc. v. Figgie Int'l, Inc., 18 F.3d 927, 933 (Fed. Cir. 1994).  
25 "Among the types of conduct which can form a basis for finding a case exceptional are  
26

1 willful infringement, inequitable conduct before the [Patent and Trademark Office],  
2 misconduct during litigation, vexatious or unjustified litigation, or frivolous suit.” Hoffman-  
3 La Roche, Inc. v. Invamed Inc., 213 F.3d 1359, 1365 (Fed. Cir. 2000) citing Beckman  
4 Instruments, Inc. v. LKB Produkter AB, 892 F.2d 1547, 1551 (Fed. Cir. 1989). “In the case  
5 of awards to prevailing accused infringers . . . ‘exceptional cases’ are normally those of bad  
6 faith litigation or those involving fraud or inequitable conduct by the patentee in procuring  
7 the patent.” Id. A case may be exceptional if a party acts with actual wrongful intent or with  
8 gross negligence. Machinery Corp. of America v. Gullfiber AB, 774 F.2d 467, 473 (Fed.  
9 Cir. 1985). “The gross negligence standard has been defined as requiring willful, wanton, or  
10 reckless misconduct, or evidence of utter lack of all care.” Id. (internal quotations omitted).  
11 A finding of “exceptional case” is one of fact that is committed to the sound discretion of the  
12 trial court. Beckman Instruments, 213 F.3d at 1551.

13 a. Pre-filing Inquiry

14 The standards used to evaluate granting sanctions under Rule 11 and attorneys’ fee  
15 awards under § 285 for inadequate pre-filing inquiries are quite similar, though the burden of  
16 persuasion appears to be higher under § 285 than under Rule 11. In cases where the Federal  
17 Circuit has analyzed infringement actions under both Rule 11 and § 285, the court has arrived  
18 at the same result under both standards. Hoffman-La Roche, Inc. v. Invamed Inc., 213 F.3d  
19 1359 (Fed. Cir. 2000); Cambridge Products Ltd. v. Penn Nutrients, Inc., 962 F.2d 1048 (Fed.  
20 Cir. 1992).

21 In Hoffman-La Roche, an accused infringer brought a motion for sanctions under Rule  
22 11 for filing a baseless suit without proper pre-filing investigation, and for attorneys’ fees  
23 under 35 U.S.C. § 285 as an “exceptional case,” after the plaintiff dismissed its complaint.  
24 215 F.3d at 1360. The defendant alleged that the suit was baseless because the plaintiff had  
25 not first concluded that the defendant’s process of producing a drug actually infringed its  
26



1 patent. Id. at 1364. The court found that the plaintiff had done all that it could have done by  
2 requesting the defendant to produce its process for evaluation prior to filing suit. Id.  
3 Therefore, the court concluded that the plaintiff's "initial claim of infringement was not  
4 unreasonable in light of the available information at the time of filing." Id. at 1365. The  
5 court then analyzed the same allegations under the patent statute, and concluded that there  
6 was no evidence that the claims were pursued in bad faith. Id. at 1366.

7 Similarly, in Cambridge Products, an accused infringer moved for sanctions and  
8 attorneys' fees, arguing that the plaintiff had not done an appropriate investigation as to  
9 whether plaintiff's patented method of making a mold inhibitor was infringed by the  
10 defendant. 962 F.2d at 1050. Defendant in that case asserted that "a simple phone call" to  
11 the defendant prior to filing would have revealed that the defendant's method was not the  
12 same. Id. The Federal Circuit held that Rule 11 sanctions were not warranted because the  
13 pre-filing investigation, which included chemical testing of the product, was reasonable. Id.  
14 In denying the § 285 motion, the court found that the plaintiff had not proceeded in bad faith.  
15 Id. at 1051.

16 The Court finds compelling the Federal Circuit's use of a "bad faith" standard in  
17 determining the "exceptional case" in the context of the accused infringer. These cases  
18 demonstrate that if the standards under Rule 11 and § 285 are different, the required showing  
19 "bad faith" under the patent statute is greater than that of "baseless suit" under Rule 11.  
20 While Rule 11 evaluates the pre-filing investigation to determine whether it is sufficient, §  
21 285 and the case law interpreting it require that the litigation be undertaken in bad faith, at  
22 least in the context of the allegedly wrongfully accused infringer. At least one court has  
23 explicitly found the § 285 standard to be higher. Ultra-Temp Corp. v. Advanced Vacuum  
24 Systems, Inc., 189 F.R.D. 17, 21(D. Mass. 1999) (holding that even though the plaintiff had  
25 violated Rule 11, attorneys' fees were not justified under § 285, stating, "failure to conduct  
26



1 an adequate investigation, without more, is not grounds for finding a case to be ‘exceptional’  
2 under 35 U.S.C. § 285.’) Cf. View Eng’g v. Robotic Vision Sys., 208 F.3d 981, 986 (Fed.  
3 Cir. 2000) (granting Rule 11 sanctions for an inadequate pre-filing investigation that included  
4 only an analysis of the competitor’s advertising and the attorney’s knowledge of the patents  
5 held, and placing great emphasis on the lack of an infringement analysis prior to filing the  
6 claims.)

7 The case before the Court presents the issue of what is adequate versus what is “best  
8 practice.” Q-Pharma’s pre-filing investigation, while not ideal, simply does not rise to the  
9 level of bad faith litigation or gross negligence required for an award of attorneys’ fees under  
10 § 285. As this Court stated in its prior order, Q-Pharma’s pre-filing analysis included  
11 investigation of Jergens’ advertising, as well as a claims construction. Order on Rule 11  
12 Sanctions at 4. To test Jergens’ product prior to filing would have been preferable, but the  
13 Court finds that Q-Pharma’s actions were adequate.

14 Q-Pharma’s claims construction interpreting its patent as reading on a broad range of  
15 concentrations was reasonable. Jergens argues that Q-Pharma should have interpreted its  
16 patent much more narrowly, specifically that the term “therapeutically effective amount”  
17 requires an amount of Coenzyme Q10 of at least 0.1% by weight, an amount disclosed in the  
18 specification of the patent. § 285 Mot. at 4. Yet claim 3 of the patent covers amounts of  
19 Coenzyme Q10 for 0.0001-0.1% by weight. ‘373 patent, 8:32-34. Claim 1 contains no  
20 numerical limitation at all. Id. at 8:22-28. Jergens’ interpretation would not only require a  
21 reading that would make claim 3 internally inconsistent and meaningless, it would  
22 improperly import a limitation from the specification into both claims 1 and 3. Toro Co. v.  
23 White Consol. Indus. Inc., 199 F.3d 1295, 1301 (Fed. Cir. 1999) (“It is well established that  
24 the preferred embodiment does not limit broader claims that are supported by the written  
25 description.”). The Court declines to read a limitation of “0.1% by weight” into the claim  
26

1 language. Thus, Q-Pharma's conclusions about the scope of its patent were not wholly  
2 improbable.

3       Once Q-Pharma construed the claim elements of the '373 patent, Q-Pharma relied on  
4 Jergens advertising in determining what was in the product. Jergens clearly marketed its  
5 product with the intent to create the impression that Coenzyme Q-10 was present in  
6 therapeutically effective amounts and was either the principle active ingredient or was at  
7 least one of two possible active ingredients. Q-Pharma was not unreasonable in concluding  
8 that Jergens' product infringed its patent as it had interpreted the claims.

9       Thus, the Court can not find that Q-Pharma's filing was "grossly negligent."  
10 Machinery Corp. of America, 774 F.2d at 473. Further, there is no evidence in the record  
11 indicating that Q-Pharma acted in "bad faith" in pursuing its claims. Hoffman-La Roche,  
12 213 F.3d at 1365. Even if an award of attorneys' fees were appropriate in this matter, Q-  
13 Pharma's responsibility to pay such fees would clearly end at the moment that the first set of  
14 interrogatories issued. Jergens itself prolonged the litigation by failing to disclose the Curel  
15 product's formula while simultaneously arguing that the formula was what kept the product  
16 outside the claim language of the '373 patent. As soon as Jergens provided information  
17 regarding the true content of its product, Q-Pharma dismissed its claims with prejudice.

18       b.     Prior Notice of Invalidity

19       Jergens also argues that this is an "exceptional case" because Q-Pharma was put on  
20 prior notice that its patent was invalid. As in its Order denying Rule 11 sanctions, this Court  
21 finds this argument without merit. Jergens sole asserted evidence that Q-Pharma was on  
22 notice of invalidity is a letter from a competitor alleging the invalidity of the patent. § 285  
23 Motion, Ex. EE. This does not prove invalidity or notice thereof; rather, it merely shows a  
24 dispute between a patent holder and an accused infringer. On the other hand, Q-Pharma has  
25 successfully licensed the '373 patent to more than 10 companies. Opp. at 10, Hess Decl. at 1.

1 These licenses gave Q-Pharma more than adequate reason to believe in the validity of its  
2 patent.

3 Based on the foregoing reasoning, the Court finds in its sound discretion that Jergens  
4 has failed to meet its burden of showing clear and convincing evidence that this case is  
5 “exceptional.” The motion for an award of attorneys’ fees under § 285 is therefore denied.  
6 The Court does not reach the issue of whether Q-Pharma and its attorneys would be jointly  
7 and severally liable for attorneys’ fees awarded under § 285 as argued by Jergens.

8 2. Motion for Summary Judgment on Antitrust Immunity

9 Jergens asserts in its counterclaim that Q-Pharma’s lawsuit is in violation of the  
10 Sherman Act, 15 U.S.C. § 1 et seq., and specifically § 2 as an “attempt to monopolize.” Q-  
11 Pharma brings the present motion for summary judgment dismissing the counterclaim on the  
12 ground that it is entitled to antitrust immunity in enforcing its patent.

13 “The bringing of a lawsuit to enforce legal rights does not of itself constitute violation  
14 of the antitrust laws or patent misuse; there must be bad faith and improper purpose in  
15 bringing the suit, in implementation of an illegal restraint of trade. Glaverbel Societe  
16 Anonyme v. Northlake Marketing and Supply, Inc., 45 F.3d 1550, 1558 (Fed. Cir. 1995).  
17 The general rule for antitrust actions stemming from patent infringement lawsuits was  
18 enunciated in In re Independent Service Organizations Antitrust Litigation, 203 F.3d 1322,  
19 1326 (Fed. Cir. 2000), as follows:

20 [A] patent owner who brings suit to enforce the statutory right to exclude  
21 others from making, using, or selling the claimed invention is exempt from the  
22 antitrust laws, even though such a suit may have an anticompetitive effect,  
23 unless the infringement defendant proves one of two conditions. . . . First, he  
24 may prove that the asserted patent was obtained through knowing and willful  
25 fraud . . . Or he may demonstrate the infringement suit was a mere sham to  
26 cover what is actually no more than an attempt to interfere directly with the  
business relationships of a competitor.

1 Id. (internal citations omitted). In order to show that litigation was a “sham,” an antitrust  
 2 claimant must pass a two-part test. Id. citing Professional Real Estate Investors, Inc. v.  
 3 Columbia Pictures Indus., Inc., 508 U.S. 49, 60-61 (1993).

4 First, the lawsuit must be objectively baseless in the sense that no reasonable  
 5 litigant could realistically expect success on the merits. If an objective litigant  
 6 could conclude that the suit is reasonably calculated to elicit a favorable  
 7 outcome, the suit is immunized under Noerr, and an antitrust claim premised on  
 8 the sham exception must fail. Only if challenged litigation is objectively  
 9 meritless may a court examine the litigant’s subjective motivation. Under this  
 10 second part of our definition of sham, the court should focus on whether the  
 11 baseless lawsuit conceals “an attempt to interfere directly with the business  
 12 relationships of a competitor,” through the “use [of] the governmental process -  
 13 as opposed to the outcome of that process - as an anticompetitive weapon.”

14 Professional Real Estate, 508 U.S. at 60-61 (citations omitted). The first step requires a legal  
 15 determination. Id. at 61. (“This two-tiered process requires the plaintiff to disprove the  
 16 challenged lawsuit’s legal viability before the court will entertain evidence of the suit’s  
 17 economic viability.”) (emphasis in original). Thus, failure to show that a suit is objectively  
 18 baseless eliminates any “genuine issue of material fact,” and summary judgment is  
 19 appropriate as a matter of law. Id. at 65-66; Fed. R. Civ. P. 56(c).

20 Q-Pharma argues that the Court implicitly held that its suit was not “objectively  
 21 baseless” when it denied the motion for Rule 11 sanctions. Specifically, the Court found that  
 22 Q-Pharma “did not act unreasonably” in bringing its action, that the claim construction “was  
 23 not completely without logic,” and that the merits of the claims “were not wholly  
 24 improbable.” See Order Denying Rule 11 Sanctions. Q-Pharma argues that these findings at  
 25 least imply that its actions were not “objectively baseless.” Because the first part of the  
 26 Professional Real Estate analysis requires that the lawsuit be “objectively baseless” prior to  
 investigation into subjective intent, Q-Pharma argues that the antitrust claim should be  
 dismissed without further investigation.

1 Jergens elected not to respond to the motion for summary judgment. Instead, it filed  
2 an "opposition" that was actually an argument as to why discovery should be allowed into  
3 documents both listed on Q-Pharma's privilege log and documents Jergens thinks Q-Pharma  
4 is "hiding." Opposition at 5. Jergens also submitted a Rule 56(f) declaration as to the  
5 documents it says it needs in order to defend the summary judgment motion.

6 Summary judgment on behalf of Q-Pharma is appropriate for several reasons. First, in  
7 an objective analysis of the "baselessness" of the suit the Court will not look at what Q-  
8 Pharma's attorneys actually did or thought before filing and while maintaining the suit.  
9 Instead, the Court evaluates the suit on the basis of the objective and undisputed evidence,  
10 specifically the patent itself, the prosecution history, and Jergens' advertising, to determine  
11 whether an reasonable litigant could reasonably expect success on the merits based on that  
12 evidence. Wholly independent of any attestation of Q-Pharma's attorneys, the Court finds  
13 that in light of Jergens' advertising touting the therapeutic effects of Coenzyme Q10 in its  
14 product, and given a reasonable interpretation of the claim language and the prosecution  
15 history, Q-Pharma's decision to proceed with the lawsuit was not objectively baseless.

16 The claim language supports a reading covering a broad range of concentrations of  
17 Coenzyme Q10. Independent claim 1 of the '373 patent covers a method of therapeutically  
18 treating skin through topical administration of Coenzyme Q10 in a therapeutically effective  
19 amount. '373 patent, 8:22-28. While it is true that the prosecution history reveals that the  
20 phrase "effective amount" was changed to "therapeutically effective amount" in order to  
21 overcome a prior art objection, (See June 24, 1986 Amendment, Haas Decl. in Supp. of Mot.  
22 for Summ. J. of Non-Infringement, Ex. A, Section B, Tab 11), the exact quantity that  
23 constitutes therapeutic effectiveness is not specified. Given that claim 3 covers amounts of  
24 Coenzyme Q10 down to 0.0001 % by weight and that this claim was accepted by the Patent  
25 and Trademark Office, the Court presumes that the phrase "therapeutically effective amount"

1 includes concentrations at least as low as 0.0001% by weight. It is not unreasonable, and  
2 certainly not baseless, to conclude that a product that touts the therapeutic effects of  
3 Coenzyme Q-10 (“clinically proven . . . to visibly improve the look and feel of skin”) would  
4 at least contain concentrations as high as those specified in the patent’s dependent claims.  
5 Therefore, the Court cannot say that “no reasonable litigant” would realistically expect  
6 success on the merits.

7       Second, this Court’s previous order denying Rule 11 sanctions implicitly held that, at  
8 a minimum, Q-Pharma’s actions in filing and maintaining the law suit were not objectively  
9 baseless. Specifically, the Court found that Q-Pharma “did not act unreasonably” in bringing  
10 its action, that the claim construction “was not completely without logic,” and that the merits  
11 of the claims “were not wholly improbable.” See Order Denying Rule 11 Sanctions. These  
12 findings became the law of the case, and this Court sees no compelling reason to undo its  
13 prior order. That order indeed implicitly held that Q-Pharma’s suit was not objectively  
14 baseless.

15       Third, in refusing to respond to Q-Pharma’s motion, Jergens in effect admitted that  
16 there was no issue of material fact as to whether Q-Pharma’s suit was objectively baseless.  
17 As justification for its discovery requests, Jergens attempts to raise “a fact issue as to the  
18 appropriateness of Q-Pharma’s and its attorneys’ conduct.”<sup>1</sup> Opp. at 3. Yet in an objective  
19 analysis, the appropriateness of the attorneys’ conduct is not yet at issue. Only after a  
20 determination that the suit itself was objectively baseless would such subjective conduct be  
21 analyzed for anticompetitive intent. Professional Real Estate, 508 U.S. at 60-61.

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24       <sup>1</sup>Jergens makes several references to Q-Pharma’s “repeated” assertions to the Court that “any amount”  
25 of Coenzyme Q-10 would infringe the patent. Opposition at 4, 56(f) Declaration at 4. Yet the only cited  
26 reference regarding this assertion appears to be a statement made by Q-Pharma in its opposition to a motion to  
transfer venue in which it stated that “any topical administration” of Coenzyme Q-10 would infringe the patent.  
Opp. to Mot. to Transfer at 5.

1 Finally, given the Court's finding that the suit was not objectively baseless, the Court  
2 declines to allow discovery pursuant to the 56(f) declaration. Any discovery would only lead  
3 to evidence of Q-Pharma's subjective actions and intent in its decision to file its lawsuit. In  
4 order to obtain a Rule 56(f) continuance, Jergens must have shown that "additional discovery  
5 would uncover specific facts which would preclude summary judgment." Maljack  
6 Productions v. Good Times Home Video Corp., 81 F.3d 881, 888 (9<sup>th</sup> Cir. 1996). The Court  
7 finds that there is nothing sought in the 56(f) declaration submitted by Jergens that would  
8 preclude summary judgment. Given the patent's claim language, its prosecution history,  
9 and the evidence of Jergens' advertising, the filing and maintenance of the lawsuit was not  
10 objectively baseless, and the inquiry ends there. Thus this was not "sham" litigation, and  
11 Jergens' antitrust counterclaim is dismissed.

12 3. Motion for Reconsideration

13 In conjunction with its "opposition" to the motion for summary judgment on antitrust  
14 immunity and concurrently filed Rule 56(f) declaration, Jergens asks this Court to reconsider  
15 its order denying the motion to compel attorney-client privileged documents. Jergens argues  
16 that in bringing its motion for summary judgment, Q-Pharma has now affirmatively placed its  
17 attorneys' actions at issue, and therefore discovery should be allowed. Specifically, Jergens  
18 states that Q-Pharma relied on this Court's order denying Rule 11 sanctions, which in turn  
19 relied on declarations of Q-Pharma's attorneys, and therefore the privilege has been waived.

20 "Motions for reconsideration are disfavored." Local Rule CR(7)(h)(1). Such motions  
21 will ordinarily be denied "in the absence of a showing of manifest error in the prior ruling or  
22 a showing of new facts or legal authority which could not have been brought to [the Court's]  
23 attention earlier with reasonable diligence." Id.

24 Jergens in its pleadings asserts that "new facts" exist, specifically that Q-Pharma has  
25 by its actions "expressly" waived privilege. Opp. to Mot. for Summ. J. at 2. Q-Pharma has  
26



1 done no such thing. An “express” action is defined as an action “clearly and unmistakably  
2 communicated; directly stated.” Black’s Law Dictionary, at 601 (7th ed. 1999). Q-Pharma  
3 makes no statement in any pleading that it waives attorney-client privilege. Therefore,  
4 standards for implied waiver of attorney client privilege apply.

5 As stated in this Court’s prior order, a three-part test is used to determine generally  
6 whether attorney-client privilege has been impliedly waived. Home Indem. Co. v. Lane  
7 Powell Moss and Miller, 43 F.3d 1322, 1326 (9<sup>th</sup> Cir. 1995), citing Hearn v. Rhay, 68 F.R.D.  
8 574, 581 (E.D. Wash. 1975).

9 Under Hearn, an implied waiver of the attorney-client privilege occurs when  
10 (1) the party asserts the privilege as a result of some affirmative act, such as  
11 filing suit; (2) through this affirmative act, the asserting party puts the  
12 privileged information at issue; and (3) allowing the privilege would deny the  
opposing party access to information vital to its defense. In Hearn, an  
overarching consideration is whether allowing the privilege to protect against  
disclosure of the information would be “manifestly unfair” to the opposing  
party.

13 Home Indem. Co., 43 F.3d at 1326 (internal citations omitted).

14 Here, Q-Pharma put no privileged information at issue. Q-Pharma does not even  
15 reference the declarations in opposition to the Rule 11 sanctions motion. Rather, it only cites  
16 this Court’s order denying sanctions. The Court holds that a party or its attorneys simply  
17 cannot waive privilege by citing an order of the Court. Jergens chose to bring its Rule 11  
18 motion first and in doing so created a record for Q-Pharma to reference. Furthermore,  
19 Jergens does not need this information for anything “vital to its defense” because the only  
20 remaining claim is its antitrust claim against Q-Pharma.

21 Finally, because the first step in the antitrust analysis is that of objective baselessness,  
22 Jergens stated need for its discovery related to its antitrust counterclaim is premature. Only  
23 after a determination that a suit is objectively baseless do the subjective motivations of the  
24 attorneys come into play. Professional Real Estate, 508 U.S. at 60-61. Just as a party cannot  
25

1 obtain attorney-client privileged information by bringing a Rule 11 sanctions motion, neither  
2 should it be able to pierce the privilege by simply asserting an antitrust counterclaim without  
3 first establishing that the suit was objectively baseless.

4  
5 **CONCLUSION**

6 Based on the foregoing analysis, defendant's motion for attorneys' fees under § 285 of  
7 the patent statute is DENIED because this case is not "exceptional" as that term has been  
8 interpreted by the Federal Circuit. The plaintiff's motion for summary judgment on antitrust  
9 immunity is GRANTED because the Court finds that Q-Pharma's filing and maintenance of  
10 the suit was not "objectively baseless," and Q-Pharma is therefore immune from antitrust  
11 liability arising from its attempt to enforce its patent. Jergens' antitrust counterclaim is  
12 hereby dismissed. Defendant's motion for reconsideration of this Court's previous discovery  
13 order is DENIED.

14  
15 The clerk of the Court is directed to distribute a copy of this Order to all counsel of record.

16 Dated this 18 day of Nov., 2002.

17   
18 Marsha J. Pechman  
19 United States District Judge  
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